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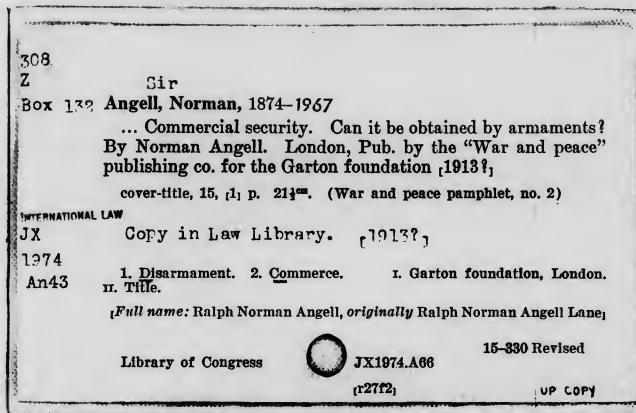
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COMMERCIAL SECURITY, CAN IT BE OBTAINED BY ARMAMENTS?

How deeply the danger of war is felt even by those who sincerely desire peace and can in no sense be described as Jingoies, may be judged from the following from the pen of Mr. Frederic Harrison. I make no apology for giving the quotations at some length. In a letter to the *Times*, he says:

Whenever our Empire and maritime ascendancy are challenged it will be by such an invasion in force as was once designed by Philip and Parma, and again by Napoleon. It is this certainty which compels me to modify the anti-militarist policy which I have consistently maintained for forty years past. . . . To me now it is no question of loss of prestige—no question of the shrinkage of the Empire; it is our existence as a foremost European Power, and even as a thriving nation. . . . If ever our naval defence were broken through, our Navy overwhelmed or even dispersed for a season, and a military occupation of our arsenals, docks, and capital were effected, the ruin would be such as modern history cannot parallel. It would not be the Empire, but Britain, that would be destroyed. . . . The occupation by a foreign invader of our arsenals, docks, cities, and capital would be to the Empire what the bursting of the boilers would be to a *Dreadnought*. Capital would disappear with the destruction of credit. . . . A catastrophe so appalling cannot be left to chance, even if the probabilities against its occurring were 50 to 1. But the odds are not 50 to 1. No high authority ventures to assert that a successful invasion of our country is absolutely impossible if it were assisted by extraordinary conditions. And a successful invasion would mean to us the total collapse of our Empire, our trade, and, with trade, the means of feeding forty millions in these islands. If it is asked, "Why does invasion threaten more terrible consequences to us than it does to our neighbours?" the answer is that the British Empire is an anomalous structure, without any real parallel in modern history, except in the history of Portugal, Venice, and Holland, and in ancient history Athens and Carthage. Our Empire presents special conditions both for attack and for destruction. And its destruction by an enemy seated on the Thames would have consequences so awful to contemplate that it cannot be left to be safeguarded by one sole line of defence, however

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good, and for the present hour however adequate. . . . For more than forty years I have raised my voice against every form of aggression, of Imperial expansion, and Continental militarism. Few men have more earnestly protested against postponing social reforms and the well-being of the people to Imperial conquests and Asiatic and African adventures. I do not go back on a word that I have uttered thereon. But how hollow is all talk about industrial reorganisation until we have secured our country against a catastrophe that would involve untold destitution and misery on the people in the mass—which would paralyse industry and raise food to famine prices, whilst closing our factories and our yards!

I think it will be admitted that there is not much chance of misunderstanding the general idea embodied in this passage. Mr. Harrison is merely expressing one of the universally accepted axioms of European politics, namely, that a nation's financial and industrial stability, its security in commercial activity—in short, its prosperity and well-being, depend upon its being able to defend itself against the aggression of other nations, who will, if they are able, be tempted to commit such aggression because in so doing they will increase their power, prosperity, and well-being, at the cost of the weaker and vanquished.

Mr. Harrison has the support of other scholars of all sorts. Thus Mr. Spenser Wilkinson, Chichele Professor of Military History at Oxford, and a deservedly respected authority on the subject, confirms in almost every point in his various writings the opinions that I have quoted, and gives emphatic confirmation to all that Mr. Frederic Harrison has expressed. In his book, "Britain at Bay," Professor Wilkinson says: "No one thought when in 1888 the American observer, Captain Mahan, published his volume on the influence of sea-power upon history, that other nations beside the British read from that book the lesson that victory at sea carried with it a prosperity and influence and a greatness obtainable by no other means."

Well, it is the object of these pages to show that this all but universal idea, of which Mr. Harrison's letter is a particularly vivid expression, is a gross and desperately dangerous misconception, partaking at times of the nature of an optical illusion, at times of the nature of a superstition—a misconception not only

gross and universal, but so profoundly mischievous as to misdirect an immense part of the energies of mankind, and to misdirect them to such degree that unless we liberate ourselves from this superstition civilisation itself will be threatened.

And one of the most extraordinary features of this whole question is that the absolute demonstration of the falsity of this idea, the complete exposure of the illusion which gives it birth, is neither abstruse nor difficult. This demonstration does not repose upon any elaborately constructed theorem, but upon the simple exposition of the political facts of Europe as they exist to-day. These facts, which are incontrovertible, and which I shall elaborate presently, may be summed up in a few simple propositions stated thus:

II.

The Plain Truth.

1. An extent of devastation, even approximating to that which Mr. Harrison foreshadows, as the result of the conquest of Great Britain, could only be inflicted by an invader as a means of punishment costly to himself, or as the result of an unselfish and expensive desire to inflict misery for the mere joy of inflicting it. Since trade depends upon the existence of natural wealth and a population capable of working it, an invader cannot "utterly destroy it," except by destroying the population, which is not practical. If he could destroy the population, he would utterly destroy his own market, actual or potential, which would be commercially suicidal. In this self-seeking world, it is not reasonable to assume the existence of an inverted altruism of this kind.

2. If an invasion by Germany did involve, as Mr. Harrison and those who think with him say it would, the "total collapse of the Empire, our trade, and the means of feeding forty millions in these islands . . . the disturbance of capital and destruction of credit," German capital would, because of the internationalisa-

tion and delicate interdependence of our credit-built finance and industry, also disappear in large part, and German credit also collapse, and the only means of restoring it would be for Germany to put an end to the chaos in Great Britain by putting an end to the condition which had produced it. Moreover, because also of this delicate interdependence of our credit-built finance, the confiscation by an invader of private property, whether stocks, shares, ships, mines, or anything more valuable than jewellery or furniture—anything, in short, which is bound up with the economic life of the people—would so react upon the finance of the invader's country as to make the damage to the invader resulting from the confiscation exceed in value the property confiscated. So that Germany's success in conquest would be a demonstration of the complete economic futility of conquest.

3. For allied reasons in our day the exaction of tribute from a conquered people has become an economic impossibility; the exaction of a large indemnity so costly, directly and indirectly, as to be an extremely disadvantageous financial operation.

4. For reasons of a like nature to the foregoing it is a physical and economic impossibility to capture the external or carrying trade of another nation by military conquest. Large navies are impotent to create trade for the nations owning them, and can do nothing to "confine the commercial rivalry" of other nations. Nor can the conqueror destroy the competition of a conquered nation by annexation; his competitors would still compete with him—i.e., if Germany conquered Holland, German merchants would still have to meet the competition of Dutch merchants, and on keener terms than originally, because the Dutch merchants would then be within the German's customs lines; the notion that the trade competition of rivals can be disposed of by conquering those rivals being one of the illustrations of the curious optical illusion which lies behind the misconceptions dominating this subject.

5. The wealth, prosperity and well-being of a nation depend in no way upon its political power; otherwise we should find the commercial prosperity and social well-being of the smaller nations,

which exercise no political power, manifestly below that of the great nations which control Europe, whereas this is not the case. The populations of States like Switzerland, Holland, Belgium, Denmark, Sweden, are in every way as prosperous as the citizens of States like Germany, Russia, Austria, and France. The wealth *per capita* of the small nations is in many cases in excess of that of the great nations. Not only the question of the security of small States, which, it might be urged, is due to treaties of neutrality, is here involved, but the question of whether political power can be turned in a positive sense to economic advantage.

6. No other nation could gain any advantage by the conquest of the British Colonies, and Great Britain could not suffer material damage by their loss, however much such loss would be regretted on sentimental grounds, and as rendering less easy a certain useful social co-operation between kindred peoples. The use, indeed, of the word "loss" is misleading. Great Britain does not "own" her Colonies. They are, in fact, independent nations in alliance with the Mother Country, to whom they are no source of tribute or economic profit (except as foreign nations are a source of profit), their economic relations being settled, not by the Mother Country, but by the Colonies. Economically, Great Britain would gain by their formal separation, since she would be relieved of the cost of their defence. Their "loss" involving, therefore, no change in economic fact (beyond saving the Mother Country the cost of their defence), could not involve the ruin of the Empire and the starvation of the Mother Country, as those who commonly treat of such a contingency are apt to aver. As Great Britain is not able to exact tribute or economic advantage, it is inconceivable that any other country, necessarily less experienced in colonial management, would be able to succeed where Great Britain had failed, especially in view of the past history of the Spanish, Portuguese, French, and British Colonial Empires. This history also demonstrates that the position of Crown Colonies, in the respect which we are considering, is not sensibly different from that of the self-governing ones. It is not to be presumed, therefore, that any European nation, realising the facts, would attempt

the desperately expensive business of the conquest of England for the purpose of making an experiment which all colonial history shows to be doomed to failure.

The foregoing propositions traverse sufficiently the ground covered in the series of those typical statements of policy, both British and German, from which I have quoted. The simple statement of these propositions, based as they are upon the self-evident facts of present-day European politics, sufficiently exposes the nature of those political axioms which I have quoted. But as men even of the calibre of Mr. Harrison normally disregard these self-evident facts, it is necessary to elaborate them at somewhat greater length.

III.

Can Armaments Obtain Commercial Security?

For the purpose of presenting a due parallel to the statement of policy embodied in the quotations made from Mr. Harrison and others, I have divided the propositions which I desire to demonstrate into six clauses, but such a division is quite arbitrary, and made only in order to bring about the parallel in question. The whole six can be put into one, as follows: That as the only possible policy in our day for a conqueror to pursue is to leave the wealth of a territory in the complete possession of the individuals inhabiting that territory, it is a logical fallacy and an optical illusion in Europe to regard a nation as increasing its wealth when it increases its territory; because when a province or State is annexed, the population, who are the real and only owners of the wealth therein, are also annexed, and the conqueror gets nothing. The facts of modern history abundantly demonstrate this. When Germany annexed Schleswig-Holstein and Alsatia not a single ordinary German citizen was one pfennig the richer. Although Great Britain "owns" Canada, the British merchant is driven out of the Canadian markets by the merchant of Switzerland, who does not "own" Canada. Even where territory is not formally annexed, the con-

queror is unable to take the wealth of a conquered territory owing to the delicate interdependence of the financial world (an outcome of our credit and banking systems), which makes the financial and industrial security of the victor dependent upon financial and industrial security in all considerable civilised centres; so that widespread confiscation or destruction of trade and commerce in a conquered territory would react disastrously upon the conqueror. The conqueror is thus reduced to economic impotence, which means that political and military power is economically futile—that is to say, can do nothing for the trade and well-being of the individuals composing the nation exercising such power. Conversely, armies and navies cannot destroy the trade of rivals, nor can they capture it. The great nations of Europe do not destroy the trade of the small nations for their own benefit, because they cannot; and the Dutch citizen, whose Government possesses no military power, is just as well off as the German citizen, whose Government possesses an army of two million men, and a great deal better off than the Russian, whose Government possesses an army of something like four million. Thus, as a rough-and-ready though incomplete indication of the relative wealth and security of the respective States, the Three per Cents. of comparatively powerless Holland are quoted at 77½, and the Three per Cents. of powerful Germany at 75, some two points lower; the Three and a Half per Cents. of the Russian Empire, with its hundred and twenty million souls and its four million army, are quoted at 78, while the Three and a Half per Cents. of Norway, which has not an army at all (or any that need be considered in this discussion), are quoted at 88, which carries with it the paradox that the more a nation's wealth is militarily protected the less secure does it become.*

* This is not the only basis of comparison, of course. Everyone who knows Europe at all is aware of the high standard of comfort, of the high standard of civilization—Scandinavia and Holland, according to the "Statistical Manual in 'Industries and Wealth of Nations'" (p. 393), puts the small States of Europe with France and England at the top of the list, Germany sixth, and Russia, territorially and militarily the greatest of all, at the very end. Dr. Bertholon, the French statistician, has made an interesting calculation of the relative wealth of the citizens of each country. The middle-aged German possesses (on the established average) nine thousand francs; the Hollander sixteen thousand. (See *Journal, Paris*, August 1, 1910.)

The late Lord Salisbury, speaking to a delegation of business men, made this notable observation: The conduct of men of affairs acting individually in their business capacity differs radically in its principles and application from the conduct of the same men when they act collectively in political affairs. And one of the most astonishing things in politics is the little trouble business men take to bring their political creed into keeping with their daily behaviour; how little, indeed, they realise the political implication of their daily work. It is a case, indeed, of the forest and the trees.

But for some such phenomenon we certainly should not see the contradiction between the daily practice of the business world and the prevailing political philosophy, which the security of property in, and the high prosperity of, the smaller States involves. We are told by all the political experts that great navies and great armies are necessary to protect our wealth against the aggression of powerful neighbours, whose cupidity and voracity can be controlled by force alone; that treaties avail nothing, and that in international politics might makes right; that military and commercial security are identical, that armaments are justified by the necessity of commercial security; that our navy is an "insurance," and that a country without military power with which their diplomats can "bargain" in the Council of Europe is at a hopeless disadvantage economically. Yet when the investor, studying the question in its purely financial and material aspect, has to decide between the great States, with all their imposing paraphernalia of colossal armies and fabulously-costly navies, and the little States, possessing relatively no military power whatever, he plumps in favour of the small and helpless, or, at the best, regards the funds of a great and powerful and of a small and powerless State as of roughly the same value, irrespective of their military power. And what is true of the Government funds is true in an only slightly less degree of the industrial securities in the national comparison just drawn.

Is it a sort of altruism or quixotism which thus impels the capitalists of Europe to conclude that the public funds and invest

ments of powerless Norway (any day at the mercy of its big neighbours) are ten per cent. safer than those of the greatest Power of Continental Europe? The question is, of course, absurd. The only consideration of the financier is profit and security, and he has decided that the funds of the undefended nation are more secure than the funds of one defended by colossal armaments. How does he arrive at this decision, unless it be through his knowledge as a financier, which, of course, he exercises without reference to the political implication of his decision, that modern wealth requires no defence, because it cannot be confiscated?

If Mr. Harrison were right; if, as he implies, our commerce, our very industrial existence, would disappear did we allow neighbours who envied us that commerce to become our superiors in armament, and to exercise political weight in the world, how does he explain the fact that the great Powers of the Continent are flanked by little nations far weaker than themselves having nearly always a commercial development equal to, and in most cases greater than theirs? If the common doctrines be true, the financiers would not invest a pound or a dollar in the territories of the undefended nations, and yet, far from that being the case, they consider that a Swiss or a Dutch investment is more secure than a German one; that industrial undertakings in a country like Switzerland, defended by an army of a few thousand men, are preferable in point of security to enterprises backed by three millions of the most perfectly trained soldiers in the world. The attitude of European finance in this matter is the absolute condemnation of the view commonly taken by the statesman. If a country's trade were really at the mercy of the first successful invader; if armies and navies were really necessary for the protection and promotion of trade, the small countries would be in a hopelessly inferior position, and could only exist on the sufferance of what we are told are unscrupulous aggressors. And yet Norway has relatively to population a greater carrying trade than

Great Britain,* and Dutch, Swiss, and Belgian merchants compete in all the markets of the world successfully with those of Germany and France.

The prosperity of the small States is thus a fact which proves a good deal more than that wealth can be secure without armaments. The exponents of the orthodox statecraft—notably such authorities as Admiral Mahan—plead that armaments are a necessary part of the industrial struggle, that they are used as a means of exacting economic advantage for a nation which would be impossible without them. "The logical sequence," we are told, is "markets, control, navy, bases." The nation without political and military power is, we are assured, at a hopeless disadvantage economically and industrially.

Well, the relative economic situation of the small States gives the lie to this profound philosophy. It is seen to be just learned nonsense when we realise that all the might of Russia or Germany cannot secure for the individual citizen better general economic conditions than those prevalent in the little States. The citizens of Switzerland, Belgium, or Holland, countries without "control," or navy, or bases, or "weight in the councils of Europe," or the "prestige of a great Power," are just as well off as Germans, and a great deal better off than Austrians or Russians.

Thus, even if it could be argued that the security of the small States is due to the various treaties guaranteeing their neutrality, it cannot be argued that those treaties give them the political power and "control" and "weight in the councils of the nations" which Admiral Mahan and the other exponents of the orthodox statecraft assure us are such necessary factors in national prosperity.

I want, with all possible emphasis, to indicate the limits of the argument that I am trying to enforce. That argument is not that the facts just cited show armaments or the absence of them to be the sole or even the determining factor in national wealth.

* The figures given in the "Statesman's Year-Book" show that, proportionately to population, Norway has nearly three times the carrying trade of England.

It does show that the security of wealth is due to other things than armaments; that absence of political and military power is on the one hand no obstacle to, and on the other hand no guarantee of, prosperity; that the mere size of administrative area has no relation to the wealth of those inhabiting it.

Those who argue that the security of the small States is due to the international treaties protecting their neutrality are precisely those who argue that treaty rights are things that can never give security! Thus one military writer says:

"The principle practically acted on by statesmen, though, of course, not openly admitted, is that frankly enunciated by Machiavelli: 'A prudent ruler ought not to keep faith when by so doing it would be against his interests, and when the reasons which made him bind himself no longer exist.' Prince Bismarck said practically the same thing, only not quite so nakedly. The European waste-paper basket is the place to which all treaties eventually find their way, and a thing which can any day be placed in a waste-paper basket is a poor thing on which to hang our national safety. Yet there are plenty of people in this country who quote treaties to us as if we could depend on their never being torn up. Very plausible and very dangerous people they are—idealists too good and innocent for a hard, cruel world, where force is the chief law. Yet there are some such innocent people in Parliament even at present. It is to be hoped that we shall see none of them there in future."

Major Murray is right to this extent: the militarist view, the view of those who "believe in war," and defend it even on moral grounds as a thing without which men would be "sordid," supports this philosophy of force, which flourishes in the atmosphere where the militarist regimen does engender.

But the militarist view involves a serious dilemma. If the security of a nation's wealth can only be assured by force, and treaty rights are mere waste paper, how can we explain the evident security of the wealth of States possessing relatively no force? By the mutual jealousies of those guaranteeing their neutrality? Then that mutual jealousy could equally well guarantee the security of any one of the larger States against the rest. Mr. Farrer has put the case thus:

* Major Stewart Murray, "Future Peace of the Anglo-Saxons." Watts and Co.

"If that recent agreement between England, Germany, France, Denmark, and Holland can so effectively relieve Denmark and Holland from the fear of invasion that Denmark can seriously consider the actual abolition of her army and navy, it seems only one further step to go, for all the Powers collectively, great and small, to guarantee the territorial independence of each one of them severally."

In either case, the plea of the militarist stands condemned: national safety can be secured by means of other than military force.

IV.

Can Wealth be Confiscated?

But the real truth involves a distinction which is essential to the right understanding of this phenomenon: the political security of the small States is *not* assured; no man would take heavy odds on Holland being able to maintain complete political independence if Germany cared seriously to threaten it. But Holland's economic security *is* assured. Every financier in Europe knows that if Germany conquered Holland or Belgium to-morrow, she would have to leave their wealth untouched; there could be no confiscation. And that is why the stocks of the lesser States, not in reality threatened by confiscation, yet relieved in part at least of the charge of armaments, stand fifteen to twenty points higher than those of the military States. Belgium, politically, might disappear to-morrow; her wealth would remain practically unchanged.

Yet, by one of those curious contradictions we are frequently meeting in the development of ideas, while a fact like this is at least subconsciously recognised by those whom it concerns, the necessary corollary of it—the positive form of the merely negative truth that a community's wealth cannot be stolen—is not recognised. We admit that a people's wealth must remain unaffected

by conquest, and yet we are quite prepared to urge that we can enrich ourselves by conquering them! But if we must leave their wealth alone, how can we take it?

I do not speak merely of "loot." It is evident, even on cursory examination, that no real advantage of any kind is achieved for the mass of one people by the conquest of another. Yet that end is set up in European politics as desirable beyond all others. Here, for instance, are the Pan-Germanists of Germany. This party has set before itself the object of grouping into one great Power all the peoples of the Germanic race or language in Europe. Were this aim achieved, Germany would become the dominating Power of the Continent, and might become the dominating Power of the world. And according to the commonly accepted view, such an achievement would, from the point of view of Germany, be worth any sacrifice that Germans could make. It would be an object so great, so desirable, that German citizens should not hesitate for an instant to give everything, life itself, in its accomplishment. Very good. Let us assume that at the cost of great sacrifice, the greatest sacrifice which it is possible to imagine a modern civilised nation making, this has been accomplished, and that Belgium and Holland and Germany, Switzerland and Austria, have all become part of the great German hegemony: *is there one ordinary German citizen who would be able to say that his well-being had been increased by such a change?* Germany would then "own" Holland. *But would a single German citizen be the richer for the ownership?* The Hollander, from having been the citizen of a small and insignificant State, would become the citizen of a very great one. *Would the individual Hollander be any the richer or any the better?* We know that, as a matter of fact, neither the German nor the Hollander would be one whit the better; and we know also, as a matter of fact, that in all probability they would be a great deal the worse. We may, indeed, say that the Hollander would be certainly the worse, in that he would have exchanged the relatively light taxation and light military service of Holland for the much heavier taxation and the much longer military service of the "great" German Empire.

IV.

Does Germany Benefit by Alsace-Lorraine?

The following, which appeared in the *Daily Mail* in reply to an article in that paper, throws some further light on the points elaborated in this chapter. The *Daily Mail* critic had placed Alsace-Lorraine as an asset in the German conquest worth sixty-six millions "cash value," and added: "If Alsace-Lorraine had remained French, it would have yielded, at the present rate of French taxation, a revenue of eight millions a year to the State. That revenue is lost to France, and is placed at the disposal of Germany."

To which I replied:

"Thus, if we take the interest of the 'cash value' at the present price of money in Germany, Alsace-Lorraine should be worth to the Germans about three millions a year. If we take the other figure, eight. Suppose we split the difference, and take, say, five. Now, if the Germans are enriched by five millions a year—if Alsace-Lorraine is really worth that income to the German people—how much should the English people draw from their 'possessions'? On the basis of population, somewhere in the region of a thousand million; on the basis of area, still more—enough not only to pay all our taxes, wipe out our National Debt, support the army and navy, but give every family in the land a fat income into the bargain. There is evidently something wrong.

"Does not my critic really see that this whole notion of national possessions benefiting the individual is founded upon mystification, upon illusion? Germany conquered France and annexed Alsace-Lorraine. The 'Germans' consequently 'own' it, and enrich themselves with this newly acquired wealth. That is my critic's view, as it is the view of most European statesmen; and it is all false. Alsace-Lorraine is owned by its inhabitants, and nobody else; and Germany, with all her ruthlessness, has not been able to dispossess them, as is proved by the fact that the matricular contribution (*matrikularbeitstrag*) of the newly acquired State to the Imperial treasury (which incidentally is neither three millions nor eight, but just about one) is fixed on exactly the same scale as that of the other States of the Empire. Prussia, the conqueror, pays *per capita* just as much as and no less than Alsace, the conquered, who, if she were not paying this million to Germany, would be paying it—or, according to my critic, a much larger sum—to France; and if Germany did not 'own' Alsace-Lorraine, she would be relieved of charges that amount to one to one and several millions. The change of 'ownership' does not therefore of itself change the money position (which is what we are now discussing) of either owner or owned.

"In examining in the last article on this matter my critic's balance-sheet, I remarked that were his figures as complete as they are absurdly incomplete and misleading, I should still have been unimpressed. We all know that very marvellous results are possible with figures; but one can generally find some simple fact which puts them to the supreme test without undue mathematics. I do not know whether it has ever happened to my critic, as it has happened to me, while watching the gambling in the casino of a Continental watering resort, to have a financial genius present weird columns of figures, which demonstrate conclusively, irrefragably, that by the system which they embody one can break the bank and win a million. I have never examined these figures, and never shall, for this reason: the genius in question is prepared to sell his wonderful secret for twenty francs. Now, in the face of that fact I am not interested in his figures. If they were worth examination they would not be for sale.

"And so in this matter there are certain test facts which upset the adroitest statistical legerdemain. Though, really, the fallacy which regards an addition of territory as an addition of wealth to the 'owning' nation is a very much simpler matter than the fallacies lying behind gambling systems, which are bound up with the laws of chance and the law of averages and much else that philosophers will quarrel about till the end of time. It requires an exceptional mathematical brain to refute those fallacies, whereas the one we are dealing with is due simply to the difficulty experienced by most of us in carrying in our heads two facts at the same time. It is so much easier to seize on one fact and forget the other. Thus we realise that when Germany has conquered Alsace-Lorraine she has 'captured' a province worth, 'cash value,' in my critic's phrase, sixty-six millions sterling. What we overlook is that Germany has also captured the people who own the property and who continue to own it. We have multiplied by x , it is true, but we have overlooked the fact that we have had to divide by x , and that the result is consequently, so far as the individual is concerned, exactly what it was before. My critic remembered the multiplication all right, but he forgot the division. Let us apply the test fact. If a great country benefits every time it annexes a province, and her people are the richer for the widened territory, the small nations ought to be immeasurably poorer than the great, instead of which, by every test which you like to apply—public credit, amounts in savings banks, standard of living, social progress, general well-being—citizens of small States are, other things being equal, as well off as, or better off than, the citizens of great States. The citizens of countries like Holland, Belgium, Denmark, Sweden, Norway are, by every possible test, just as well off as the citizens of countries like Germany, Austria, or Russia. These are the facts which are so much more potent than any theory. If it is true that a country benefits by the acquisition of territory, and widened territory means general

well-being, why do the facts so eternally deny it? There is something wrong with the theory.

"In every civilised State, revenues which are drawn from a territory are expended on that territory, and there is no process known to modern government by which wealth may first be drawn from a territory into the treasury and then be redistributed with a profit to the individuals who have contributed it or to others. It would be just as reasonable to say that the citizens of London are richer than the citizens of Birmingham because London has a richer treasury; or that Londoners would become richer if the London County Council were to annex the county of Hertford; as to say that people's wealth varies according to the size of the administrative areas which they inhabit. The whole thing is, as I have called it, an optical illusion, due to the hypnotism of an obsolete terminology. Just as poverty may be greater in the large city than in the small one, and taxation heavier, so the citizens of a great State may be poorer than the citizens of a small one, as they very often are. Modern government is mainly, and tends to become entirely, a matter of administration. A mere jugglery with the administrative entities, the absorption of small States into large ones, or the breaking up of large States into small, is not of itself going to affect the matter one way or the other."

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